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The Conference Board

Report Number 969

Corporate Directors' Compensation, 1991 Edition

The 1991 edition of outside directors' compensation shows:

- *modest pay increase in financial and nonfinancial services*
- *retainers in manufacturing and nonfinancial service firms up*
- *increase in companies providing retirement benefits*
- *trend toward stock compensation*

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Corporate Directors' Compensation, 1991 Edition

by Elizabeth R. Arreglado

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From the President

Pressures on corporate directors mount as their performance is ever more closely identified with company performance. In turn, companies face an increasing challenge in attracting and retaining able outside directors.

This Conference Board study is testimony to the importance companies place on directors. The study reports directors' compensation and benefits by major industry category and by company size. For the first time, stock compensation is examined in some detail. This relatively new concept in directors' pay is designed not only to attract and retain directors, but, more important, to link directors' interests more closely to the corporation and, ultimately, the shareholders.

This report was made possible with the help of the National Office of the American Society of Corporate Secretaries and the members of the Society, who contributed their time and effort to provide valuable information. The Board greatly appreciates their involvement.

PRESTON TOWNLEY
President and CEO

Executive Summary

This report analyzes the amount and forms of 1990 outside directors' compensation according to industry, company size and type of board service. Also covered are benefits provided to outside directors and, for the first time, a section on a relatively new trend, stock compensation for outside directors.

Pay Trends

Compared with 1989, 1990 median total annual compensation for outside directors of manufacturing companies was 2 percent lower. However, among the financial group and nonfinancial service companies, outside director compensation increased 2 and 5 percent, respectively (see Table 1).

Four industries (aerospace, mutual life insurance, miscellaneous financial services, and telephone utilities) showed median total annual compensation over $30,000. Last year, 8 industries had median total annual compensation over $30,000 (see Tables 2, 4 and 6).

Among the largest manufacturing companies (sales of $5 billion or more), median annual pay for directors increased by 5 percent to $46,000. This far exceeds the median for financial firms ($30,000) and nonfinancial service companies ($37,500) in the same size category (see Tables 3, 5 and 7).

In manufacturing and nonfinancial service, median annual board retainers increased to $18,000 and $14,500, respectively; the median retainer paid by financial companies remains at $12,000 (Table 9). Median fees for board meetings increased in all industries: to $950 in manufacturing, and to $750 for both financial and nonfinancial service companies (Table 13).

Method

Information for this report was collected during May and June of 1990. Questionnaires were mailed to the members of the American Society of Corporate Secretaries. Usable information was collected from 949 companies in 3 major industry categories: 436 manufacturers, 227 financial companies, and 286 nonfinancial service companies. All respondents are U.S. companies, and in almost all cases, they are independent or parent companies, rather than subsidiaries.

Benefits and Stock Compensation

Retirement benefits for outside directors are offered by 31 percent of the companies, compared with 27 percent a year ago. In most cases, fewer insurance programs were reported in 1990 than in 1989 (see Table 32).

Thirty-three percent of the companies offer stock to outside directors. The three forms of stock compensation examined in this report are: stock options, restricted stock and stock payment.

Data Analysis and Terminology

This report deals only with *outside director* compensation; that is, a director who is not an employee of the company. The term *retainer* indicates an annual amount, which may be paid in installments during the year, and is not directly related to and does not depend on attendance at board or committee meetings. The term *fee* means a payment for attendance on a per-meeting basis.

Regular board service refers to meetings and other work of the *full board*, as distinguished from committee service.

Responses are not always from the same companies from one survey to the next. Thus, measurements of change between surveys are based on statistics from comparable samples, not change within an identical repeated sample.

Industry and Size Categories

Data are analyzed by:

- major industry (manufacturing, financial and nonfinancial service);
- individual industries (43 in all) within the major industries;
- company size, using 13 size groups ranging from under $25 million to over $5 billion in sales, or total assets for financial companies.

Percentages and Central Tendencies

The base used for calculating percentages is the number of companies that answered the particular question or part of a question. Companies that did not reply, or indicated that the question was not applicable, are omitted.

Medians

Medians usually are used to show representative or typical values. A median is the middle value in a distribution arrayed by size, above and below which lie an equal number of values.

Modes

Some tables show modes as well as medians. A mode is the value in a set of data that appears most frequently. Where the greatest frequency is shared by two or more values, all such values are listed as modes.

Quartiles

First and third quartiles are shown in some tables. For the purposes of this report, the first quartile number used—in an array of values according to size—is at, or nearest above, the 25th percentile point on a cumulative frequency scale; the third quartile figure is the number at, or nearest above, the 75th percentile point.

Total Annual Compensation

The study uses a figure that is unique to this series: *total potential annual compensation (regular board service plus committee service) to representative outside directors*. In most cases, this figure is provided by the survey respondent; in other cases, it is calculated by The Conference Board. It represents what a typical director of a given company makes in a year if he or she attends all required board and committee meetings. We believe it is the best single indication of board pay to use in compensation comparisons.

Total Annual Compensation of Outside Directors

The total annual compensation of outside directors for one year's board service, including committee service, is examined in this chapter. This information is presented by three major industry categories: manufacturing, financial and nonfinancial service; by 43 specific industries; and by company size within each major industry category. The dollar amounts and percentages of increase (or decrease) from 1989 to 1990 are also included.

The amounts in the tables in this chapter show *what the most typical outside director on a company's board can expect to earn in a year*. Compensation for board-only service and for committee service is discussed in separate chapters.

How Compensation was Increased

An increase in directors' compensation was reported by 369 (39 percent) of the 949 participating companies. Increasing the annual retainer is the most common way to increase outside directors' pay. The following table lists all the methods used to increase directors' pay.

Components of Pay Increases	*Number of Companies Mentioning*
Board annual retainer only	122
Board annual retainer and per-meeting fee	61
Board annual retainer and per-meeting fee and committee pay	57
Board annual retainer and committee pay	34
Board per-meeting fee only	24
Board and committee fees only	19
Committee pay only	19
Board per-meeting fee and committee pay	1
Overall percentage increase	5
Other	27

About the Total Potential Annual Compensation Figure

One aim of the report is to provide a basis for a company to compare its outside directors' compensation with that of other companies in the same or different industry and size categories.

This chapter analyzes how much a typical outside director can expect to earn, in total, for a full year's service on the board (regular board service plus committee service). This amount is "total potential annual compensation." We believe it is the best indication of board pay to use in compensation comparisons.

"Total potential annual compensation" is based on the assumption that the typical director attends and is paid for every board meeting and every meeting of every board committee on which he or she serves. It is the *potential* compensation for full participation.

Because this is what a *typical* director on a board makes, some directors will make more or less, depending on committee assignments or chairmanships.

Table 1: Amounts and Changes of Median Total Potential Annual Compensation for Outside Directors in the Three Major Industry Categories, for 1989 and 1990[1]

Industry Category	1989 Median Total Potential Annual Compensation	**1990 Median Total Potential Annual Compensation**	Amount of Increase (Decrease) Over 1989	Percent of Increase (Decrease) Over 1989
Manufacturing	$25,100	**$24,600**	$ (500)	(2)%
Financial service	$20,400	**$20,800**	$ 400	2
Nonfinancial service	$20,550	**$21,600**	$1,050	5

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 2: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 424 Manufacturing Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1989 Median Annual Compensation (339 Companies)*	***1990 Median Annual Compensation (424 Companies)***	*Percent Increase (Decrease)*
Aerospace, aircraft and parts	20	$ 6,000–$54,000	$32,625	**$32,000**	(2)%
Apparel and related products	12	$10,500–$30,400	$26,700	**$23,250**	(13)
Chemicals, paints and related products	34	$ 2,100–$52,000	$34,150	**$26,900**	(21)
Computers, electronics	43	$ 2,400–$75,000	$20,000	**$22,000**	10
Conglomerate or widely diversified	20	$ 5,000–$66,500	$26,600	**$24,000**	(10)
Construction, construction engineering	6	$ 9,000–$28,500	$15,250	**$12,000**	(21)
Construction materials and components	12	$ 1,200–$34,500	$21,750	**$17,000**	(22)
Drugs, pharmaceuticals, cosmetics, soaps	27	$ 1,250–$73,500	$35,100	**$22,000**	(37)
Electrical industrial equipment	19	$ 1,100–$41,200	$27,500	**$22,750**	(17)
Fabricated metal products	9	$14,400–$45,250	N/A	**$24,100**	N/A
Food, beverages and related products	30	$ 3,200–$78,000	$31,025	**$29,400**	(5)
Instruments, controls, optical products	26	$ 6,500–$45,000	$19,250	**$17,375**	(10)
Machinery	31	$ 6,000–$65,800	$16,000	**$21,400**	34
Motor vehicles and parts	11	$ 9,000–$61,000	$27,600	**$29,750**	8
Nonferrous metals	15	$ 2,400–$46,400	$32,125	**$20,400**	(37)
Paper and forest products	22	$ 3,200–$49,000	$32,150	**$26,500**	(18)
Petroleum products	38	$ 1,500–$68,200	$25,875	**$30,000**	16
Plastic, rubber and leather products	5	$ 6,500–$59,000	N/A	**$19,500**	N/A
Printing, printing products, publishing	22	$11,500–$60,000	$25,250	**$22,000**	(13)
Steel, iron	13	$14,000–$37,400	$28,500	**$29,250**	3
Transportation equipment and parts	9	$ 4,100–$45,000	$35,000	**$28,000**	(20)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

Table 3: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 424 Manufacturing Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1989 Median Annual Compensation (339 Companies)*	***1990 Median Annual Compensation (424 Companies)***	*Percent Increase (Decrease)*	*1990 Third-Quartile Compensation[2]*
Under $25	22	$ 1,250–$19,000	$ 6,500	**$ 7,000**	8 %	$12,200
25–49	17	$ 2,400–$31,000	$ 9,650	**$10,000**	4	$13,500
50–99	30	$ 5,000–$43,000	$12,250	**$13,500**	10	$18,500
100–199	41	$ 1,100–$30,000	$17,750	**$16,000**	(10)	$22,000
200–349	31	$ 3,200–$45,000	$16,075	**$17,375**	8	$21,250
350–499	37	$ 7,000–$37,000	$20,000	**$20,000**	0	$23,750
500–749	34	$ 3,200–$32,000	$20,600	**$21,000**	2	$25,400
750–999	23	$15,000–$36,000	$25,000	**$25,000**	0	$29,750
1,000–1,999	60	$14,000–$66,500	$27,200	**$28,800**	6	$32,000
2,000–2,999	27	$22,500–$52,000	$34,200	**$33,000**	(4)	$39,000
3,000–4,999	27	$20,000–$52,000	$36,750	**$36,500**	(1)	$45,000
5,000 and over	75	$25,000–$78,000	$44,000	**$46,000**	5	$54,000

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Table 4: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 222 Financial Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1989 Median Annual Compensation (212 Companies)*	***1990 Median Annual Compensation (222 Companies)***	*Percent Increase (Decrease)*
Bank holding company	88	$ 1,500–$56,750	$21,000	**$19,500**	(7)%
Commercial banking	15	$ 3,500–$41,775	$11,875	**$21,400**	80
Savings institution	23	$ 4,450–$32,800	$20,200	**$18,600**	(8)
Insurance—mutual fire and casualty	7	$ 4,700–$32,800	$20,100	**$14,700**	(27)
Insurance—stock fire and casualty	22	$ 5,000–$52,000	$22,833	**$24,000**	5
Insurance—mutual life	11	$15,250–$55,600	$21,400	**$34,000**	59
Insurance—stock life	14	$ 4,200–$60,000	$20,250	**$20,250**	0
Investment company (including real estate trusts)	26	$ 1,110–$66,000	$18,000	**$15,000**	(17)
Miscellaneous financial service	16	$ 7,400–$48,000	$32,000	**$32,000**	0

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 5: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 222 Financial Companies, by Company Size[1]

Company Size by Assets (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1989 Median Annual Compensation (212 Companies)*	***1990 Median Annual Compensation (222 Companies)***	*Percent Increase (Decrease)*	*1990 Third-Quartile Compensation[2]*
Under $100	13	$3,500–$35,000	$13,250	**$12,000**	(9)%	$15,250
100–199	9	$4,200–$20,800	$ 9,250	**$ 9,500**	3	$10,000
200–349	16	$1,110–$27,400	$11,000	**$11,800**	7	$18,400
350–499	13	$4,450–$30,000	$12,900	**$10,000**	(23)	$16,500
500–749	13	$4,250–$26,800	$10,200	**$12,900**	27	$17,200
750–999	10	$5,100–$33,000	$16,200	**$16,800**	4	$20,400
1,000–1,999	21	$1,500–$38,000	$14,350	**$17,200**	20	$24,000
2,000–2,999	13	$4,700–$31,900	$22,500	**$19,200**	(15)	$24,600
3,000–4,999	19	$4,400–$48,550	$21,200	**$21,200**	0	$26,600
5,000 and over	95	$9,700–$66,000	$29,000	**$30,000**	4	$39,480

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Table 6: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 280 Nonfinancial Service Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1989 Median Annual Compensation (254 Companies)*	***1990 Median Annual Compensation (280 Companies)***	*Percent Increase (Decrease)*
Department stores, other nonfood retail stores	19	$ 4,500–$65,000	$25,400	**$22,750**	(10)%
Mining	8	$ 2,500–$31,000	N/A	**$15,600**	N/A
Public utility:					
Electricity only	41	$ 6,100–$40,000	$19,750	**$24,000**	22
Electricity and gas	28	$ 8,000–$39,400	$17,800	**$20,000**	12
Gas only	23	$ 6,000–$43,000	$18,900	**$20,600**	9
Telephone company	11	$19,500–$80,356	$29,550	**$36,000**	22
Water	6	$ 6,000–$22,000	N/A	**$15,000**	N/A
Restaurants, lodging, entertainment	10	$ 9,200–$72,000	$17,500	**$27,000**	54
Supermarkets, convenience stores, drug stores	10	$ 5,500–$35,500	$26,050	**$23,000**	(12)
Transportation	22	$ 9,000–$67,000	$27,000	**$23,300**	(14)
Wholesale merchandising	9	$ 8,000–$38,000	$18,400	**$19,000**	3
Holding company[2]	46	$ 5,000–$45,600	$24,950	**$22,000**	(12)
Miscellaneous service(s)[3]	47	$ 3,000–$40,000	$18,350	**$17,550**	(4)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

[2]Excludes *bank* holding companies.

[3]Includes such industries as consulting, health care, research, and technical services.

Table 7: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 280 Nonfinancial Service Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1989 Median Annual Compensation (253 Companies)*	***1990 Median Annual Compensation (280 Companies)***	*Percent Increase (Decrease)*	*1990 Third-Quartile Compensation[2]*
Under $50	26	$ 2,500–$80,356	$12,000	**$12,500**	4 %	$19,000
50–99	13	$ 5,000–$43,000	$13,900	**$11,100**	(20)	$14,000
100–199	19	$ 3,000–$29,500	$20,225	**$16,000**	(21)	$21,250
200–349	31	$ 6,250–$40,000	$16,575	**$17,400**	5	$21,700
350–499	22	$10,000–$28,500	$17,800	**$16,000**	(10)	$24,000
500–749	27	$10,000–$37,700	$17,000	**$22,000**	29	$24,900
750–999	20	$12,000–$33,500	$20,200	**$21,100**	5	$25,500
1,000–1,999	43	$10,000–$38,000	$24,850	**$23,800**	(4)	$29,600
2,000–2,999	24	$15,200–$72,000	$28,300	**$26,010**	(8)	$31,012
3,000–4,999	22	$16,000–$67,000	$30,000	**$33,000**	10	$38,000
5,000 and over	33	$15,600–$65,000	$32,200	**$37,500**	17	$43,000

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Forms and Amounts of Compensation For Regular Board Service

Compensation for regular or full board service, one of the two major elements of directors' total annual compensation, is presented in this chapter. (Compensation for committee service, the second element, is shown in Chapter 3.) This chapter shows the forms that payment for board service takes—annual retainers, per-meeting fee, or both, as well as the size of these payments. In addition, total board-only compensation (including committee pay) is shown. Finally, frequency and length of board meetings are reported by major industry category and company size.

Annual Retainers and Fees

A fixed, annual retainer is paid by 869 companies (94 percent) to their outside directors for board membership. Although many companies also pay a per-meeting fee for board meeting attendance (as well as to encourage such attendance) the annual retainer is usually the most significant portion of board compensation.

Table 8: Forms of Compensation for Regular Board Service

	Percent of Companies Using Each		
Forms of Compensation	*424 Manufacturing Companies*	*221 Financial Companies*	*280 Nonfinancial Service Companies*
Annual retainer:			
Both retainer and per-meeting fee	82%	81%	82%
Retainer only	13	10	13
Total paying retainer	95%	91%	95%
Per-meeting fee only	5	10	5
Totals	100%	100%	100%

Table 9: Retainers Paid for Regular Board Service, by Industry Category[1]

Industry Category	Number of Companies by Method of Payment	Range of Retainers	Median Retainer	Amount of Increase in Median Over 1989
Manufacturing	346 that pay retainer and fee	$ 900–$45,000	$18,000	$ 500
	57 that pay retainer only	$5,000–$78,000	$17,000	a
Financial	179 that pay retainer and fee	$ 750–$56,000	$12,000	0
	21 that pay retainer only	$5,000–$48,000	$13,500	a
Nonfinancial service	229 that pay retainer and fee	$2,000–$6[illegible],156	$14,500	$1,500
	35 that pay retainer only	$ 600–$50,000	$16,000	a

[1]Annual retainers; fees for board meetings and all extra payments for committee service are excluded.
[a]Change not shown because of the small sample.

Table 10: Retainers Paid for Regular Board Service by 403 Manufacturing Companies, by Company Size

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third-Quartile Retainer[1]
Under $100	58	$ 900–$30,000	$ 9,000	$12,000
100–199	37	$ 4,500–$24,000	$10,000	$14,400
200–349	28	$ 4,000–$25,000	$12,000	$14,500
350–499	35	$ 4,000–$27,500	$13,200	$18,000
500–749	33	$ 2,000–$30,000	$15,000	$20,000
750–999	23	$ 6,000–$25,000	$18,000	$20,000
1,000–1,999	60	$ 8,500–$37,000	$18,000	$21,000
2,000–2,999	27	$12,000–$46,000	$20,000	$24,000
3,000–4,999	27	$12,000–$40,000	$24,000	$27,000
5,000 and over	75	$15,000–$78,000	$25,000	$30,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 11: Retainers Paid for Regular Board Service by 200 Financial Companies, by Company Size

Company Size by Assets (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third-Quartile Retainer[1]
Under $100	11	$3,000–$35,000	$ 6,000	$10,000
100–199	7	$1,500–$14,000	$ 6,000	$10,000
200–349	13	$ 750–$15,000	$10,000	$12,000
350–499	8	$1,000–$24,000	$ 7,500	$12,000
500–749	11	$2,000–$18,000	$ 6,000	$10,000
750–999	8	$3,000–$24,000	$10,000	$12,000
1,000–1,999	19	$1,200–$34,000	$ 7,000	$15,000
2,000–2,999	12	$1,500–$21,400	$10,000	$13,500
3,000–4,999	16	$4,000–$45,000	$12,000	$16,000
5,000 and over	95	$4,000–$56,000	$15,000	$21,375

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 12: Retainers Paid for Regular Board Service by 264 Nonfinancial Service Companies, by Company Size

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third-Quartile Retainer[1]
Under $100	32	$ 600–$68,156	$ 9,000	$15,000
100–199	16	$ 3,000–$19,800	$12,000	$15,000
200–349	30	$ 3,000–$24,000	$ 9,000	$12,000
350–499	21	$ 8,000–$28,000	$12,000	$15,000
500–749	27	$ 2,500–$20,000	$13,000	$15,000
750–999	19	$ 6,000–$24,000	$15,000	$17,500
1,000–1,999	41	$ 6,000–$30,000	$15,000	$20,000
2,000–2,999	24	$ 2,500–$35,000	$15,500	$19,000
3,000–4,999	21	$15,000–$30,000	$22,000	$25,000
5,000 and over	33	$ 5,000–$50,000	$21,500	$24,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 13: Fees Paid for Regular Board Meetings

Industry Category	Companies by Method of Payment	Range of Fees	Median Fee	Amount of Increase In Median Over 1989
Manufacturing	343 that pay fee and retainer	$100–$3,000	$ 950	$50
	20 that pay fee only	$200–$1,500	$ 500	a
Financial	179 that pay fee and retainer	$ 30–$6,000	$ 750	$50
	21 that pay fee only	$200–$1,500	$ 500	a
Nonfinancial service	230 that pay fee and retainer	$150–$5,000	$ 750	$50
	15 that pay fee only	$200–$5,000	$1,500	a

[a]Change not shown because of small sample.

Table 14: Total Board-Only Annual Compensation, by Company Size[1]

	Manufacturing		Financial		Nonfinancial Service	
Company Size by Sales[2] (Millions of Dollars)	Number of Companies	Median Board-Only Compensation	Number of Companies	Median Board-Only Compensation	Number of Companies	Median Board-Only Compensation
Under $25	22	$ 7,650	4	$11,500	11	$ 9,600
25–49	17	$ 9,600	2	$23,250	13	$12,500
50–99	28	$12,850	7	$ 8,000	11	$ 8,500
100–199	40	$13,500	7	$ 7,700	19	$15,000
200–349	28	$16,000	16	$12,500	28	$14,600
350–499	36	$18,000	13	$ 8,000	19	$16,000
500–749	33	$18,800	13	$10,500	25	$18,000
750–999	23	$21,750	10	$13,600	18	$19,200
1,000–1,999	60	$24,000	19	$10,250	43	$20,600
2,000–2,999	25	$29,000	12	$13,950	24	$23,000
3,000–4,999	25	$29,600	18	$19,200	21	$28,000
5,000 and over	147	$32,000	139	$28,500	129	$29,600

[1]Annual compensation for regular board service only, excluding any pay for committee service.
[2]By total assets for financial companies.

Table 15: Number of Board Meetings per Year, by Industry Category

Industry Category	Range of Meeting Frequencies	Median	Mode
Manufacturing	2–15	6	4
Financial	1–24	8	12
Nonfinancial service	2–16	6	4

Table 16: Number of Board Meetings per Year, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	Frequency of Board Meetings: Manufacturing Range	Manufacturing Median	Manufacturing Mode[2]	Financial Range	Financial Median	Financial Mode	Nonfinancial Service Range	Nonfinancial Service Median	Nonfinancial Service Mode
Under $100	2–15	5	4	4–12	6	4	4–12	5	4
100–199	3–12	5	4	4–13	5	4	4–12	6	6
200–499	4–12	5	4	4–14	11	12	4–13	6	4
500–999	4–11	5	5,6	4–24	12	4,12	4–13	7	5
1,000–2,999	2–12	7	6	4–14	7.5	4,12	2–16	6	6
3,000 and over	4–13	8	6	1–24	8	12	4–14	8	4,8

[1]By total assets for financial companies.
[2]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 17: Length of Typical Board Meeting in Hours, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	Length of Board Meeting (Hours): Manufacturing Range	Manufacturing Median	Manufacturing Third-Quartile[2]	Financial Range	Financial Median	Financial Third-Quartile[2]	Nonfinancial Service Range	Nonfinancial Service Median	Nonfinancial Service Third-Quartile
Under $100	1–9	3	4.5	1–7	3	3.5	1–9	3	4
100–199	1.5–8	3.5	4.5	1–3	2.5	3	2–7	3	4
200–499	1–10	3	4	1–7	2.5	3	1–15	3	4
500–999	1.5–8	3	4	1.3–6	2.5	3	1–8	2.5	4
1,000–2,999	1–8	3	3.5	1–20	2	3	1–6	3	3.5
3,000 and over	1.5–6	3	3.5	.5–30	2	3	1–6	2.5	3.5

[1]By total assets for financial companies.
[2]Figure for company at, or nearest above, 75 percent point in range.

Compensation for Service on Board Committees

Payment specifically for board committee service is analyzed in this chapter. Payment for service as committee chairman is shown separately when it is higher than regular committee pay. The number and frequency of committee meetings is presented by industry category and company size.

Forms and Amounts of Payment For Board Committees

Board committee service is compensated either by fees, retainers or both. Committee fees for manufacturing firms are essentially the same as last year. Median fees for most committees are $750 (see Table 20). In financial companies, on the other hand, most median fees were $600, up from $500 last year (see Table 21). Most median fees for nonfinancial service firms were $700 or more, up from $500 to $600 last year (see Table 22).

Relatively few companies pay annual retainers for board committee service. In the group of companies paying retainers, the medians were mostly between $2,500 and $6,000.

There is much more variation among companies paying a retainer only than those paying both a retainer and fee. Among companies paying both a retainer and fee, median payment ranged from $2,500-$3,650. Among companies paying a retainer only, medians ranged from a high of $12,500 to a low of $1,750.

Although median fees for committee service in financial companies are lower than in the other industry groups, directors of financial firms receive a higher proportion of their total board compensation in the form of comittee pay (see Table 24). This is because financial firms usually have more board committees *and*, on average, meet more frequently than other companies (see Tables 28 and 30).

Table 18: Incidence of Payment for Members and Chairmen of Board Committees

	1990		
Practice	*Number of Companies*	*Percent*[1]	*1989 Percent*
Pay extra for committee service	781	83%	89%
Pay chairmen of committee(s) more than committee members	425	45	47

[1]Percentage based on number of companies that have at least one committee.

Table 19: Prevalence and Methods of Payment for Principal Board Committees, in 948 Companies

Committee	Number of Companies with Committee	Percent	Number of Companies Paying for Committee	Percent[1]	Methods of Payment Used (by Number of Companies)		
					Fee Only	Fee and Retainer	Retainer Only
Audit	919	97%	748	81%	634	76	38
Compensation	751	79	592	79	508	54	30
Executive	661	70	482	73	404	51	27
Nominating	446	47	360	81	306	36	18
Finance	249	26	208	84	180	19	9
Employee benefits/pension	153	16	122	80	100	15	7
Stock option	131	14	65	50	56	7	2
Public policy	80	8	76	95	61	11	4
Investment	76	8	60	79	53	5	2
Human resources	61	6	50	82	47	3	—
Planning	50	5	38	76	34	2	2
Contributions	23	2	15	65	13	2	—

[1]Based on the number of companies that have such a committee.

Table 20: Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	322	$100–$3,000	$ 750	61	$ 300–$12,000	$3,000
Compensation	280	$100–$3,000	$ 750	50	$1,000–$12,000	$3,000
Executive	189	$100–$3,000	$ 750	38	$1,000–$75,000	$3,000
Nominating	163	$100–$1,500	$ 750	35	$1,000–$12,000	$2,500
Finance	96	$200–$1,500	$ 775	16	$1,000–$12,000	$3,000
Employee benefits/pension	61	$ 20–$1,250	$ 750	16	$ 400–$ 7,000	$2,750
Public policy	40	$400–$1,400	$1,000	11	$1,000–$12,000	$3,000
Stock option	36	$100–$1,000	$ 550	7	$ 100–$ 6,000	$2,500
Human resources	14	$350–$1,000	$ 775	—	—	—
Investment	11	$500–$1,500	$ 750	2	$1,500	$1,500
Planning	11	$350–$1,200	$ 750	3	$2,000–$10,000	$3,000
Contributions	3	$250–$1,000	$ 600	—	—	—

Table 21: Forms and Amounts of Payment for Principal Board Committees, Financial Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	175	$100–$2,000	$600	29	$1,000–$25,000	$3,100
Compensation	117	$100–$4,000	$600	16	$1,000–$15,000	$4,000
Executive	138	$100–$4,800	$600	18	$ 400–$10,000	$3,000
Nominating	80	$125–$2,000	$613	8	$1,000–$ 6,000	$3,000
Finance	35	$100–$2,500	$750	8	$1,200–$15,000	$5,000
Employee benefits/pension	21	$200–$1,500	$550	3	$1,000–$ 5,000	$1,500
Public policy	16	$300–$1,000	$775	2	$3,000–$ 6,000	$4,500
Stock option	21	$100–$1,000	$550	1	$1,000	$1,000
Human resources	24	$125–$1,000	$600	2	$1,200–$ 3,500	$2,350
Investment	36	$125–$5,000	$600	5	$3,500–$16,800	$6,000
Planning	12	$125–$1,500	$550	—	—	—
Contributions	7	$400–$1,000	$500	2	$3,000–$ 6,000	$4,500

Table 22: Forms and Amounts of Payment for Principal Board Committees, Nonfinancial Service Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	213	$100–$2,250	$700	24	$ 500–$18,000	$ 3,000
Compensation	165	$100–$3,750	$700	18	$ 500–$10,000	$ 3,000
Executive	128	$150–$2,100	$750	22	$ 500–$15,000	$ 3,000
Nominating	99	$100–$1,500	$700	11	$ 500–$18,000	$ 2,750
Finance	68	$200–$1,200	$725	4	$2,000–$ 4,500	$ 3,575
Employee benefits/pension	33	$250–$1,200	$700	3	$1,200–$ 3,650	$ 1,500
Public policy	16	$500–$1,200	$825	2	$1,200–$ 1,500	$ 1,350
Stock option	6	$300–$1,500	$650	1	$18,000	$18,000
Human resources	12	$300–$1,200	$750	1	$ 2,750	$ 2,750
Investment	11	$475–$1,000	$600	—	—	—
Planning	13	$200–$1,200	$600	1	$1,500	$1,500
Contributions	5	$100–$ 700	$500	—	—	—

Table 23: Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees

	Median					
	Manufacturing		Financial		Nonfinancial Service	
Committee	Companies that Pay both Retainer and Fee	Companies that Pay only Retainer	Companies that Pay both Retainer and Fee	Companies that Pay only Retainer	Companies that Pay both Retainer and Fee	Companies that Pay only Retainer
Audit	$2,500	$3,600	$3,000	$ 9,250	$3,000	$ 1,750
Compensation	$2,500	$3,000	$3,000	$10,000[a]	$3,000	$ 1,750
Executive	$2,500	$6,000	$3,250	$ 7,500[a]	$2,500	$12,500
Nominating	$2,500	$4,200	$3,000	$ 5,000[a]	$2,875	$ 5,250
Finance	$3,000	—	$4,000	$ 4,000[a]	$3,650	—

[a]One company.

Table 24: Committee Compensation as a Percentage of Total Compensation, in 890 Companies

Industry Category	Range of Percentages	Median Percentage
Manufacturing	0%– 50%	13%
Financial	0%– 61%	19%
Nonfinancial service	0%–100%	13%

Table 25: Compensation of Chairmen of Board Committees, Manufacturing Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	147	$ 500–$ 20,000	$3,000	36	$500–$ 4,000	$1,000
Compensation	133	$ 500–$ 18,000	$3,000	33	$500–$ 5,000	$1,000
Executive	51	$1,000–$175,000	$3,000	10	$700–$ 2,000	$ 750
Nominating	81	$1,000–$ 10,000	$3,000	22	$700–$ 2,500	$ 975
Finance	40	$1,000–$ 12,500	$2,750	16	$700–$ 5,000	$1,000
Employee benefits/pension	25	$1,000–$ 10,000	$3,000	14	$700–$10,000	$1,300
Public policy	24	$ 500–$ 7,500	$4,000	7	$700–$ 4,000	$1,000
Stock option	8	$1,500–$ 5,000	$4,000	3	$700–$ 1,000	$ 750
Human resources	5	$1,000–$ 6,500	$2,500	1	$1,500	$1,500
Investment	5	$2,000–$ 3,000	$2,000	1	$2,000	$2,000
Planning	5	$1,000–$ 12,500	$4,000	1	$1,500	$1,500
Contributions	2	$2,000–$ 5,000	$3,500	1	$ 700	$ 700

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees cannot be determined from the data.

Table 26: Compensation of Chairmen of Board Committees, Financial Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	77	$ 700–$25,000	$3,000	37	$200–$2,000	$750
Compensation	49	$ 700–$25,000	$3,000	23	$200–$1,500	$750
Executive	29	$ 700–$30,000	$2,500	15	$225–$1,500	$600
Nominating	35	$ 700–$12,000	$2,500	13	$225–$1,500	$525
Finance	22	$1,000–$25,000	$5,000	9	$500–$3,000	$800
Employee benefits/pension	6	$1,500–$ 7,500	$2,500	5	$225–$1,250	$650
Public policy	8	$1,500–$12,000	$4,000	4	$750–$1,500	$925
Stock option	6	$1,000–$ 3,000	$2,450	1	$600	$600
Human resources	15	$1,000–$20,000	$2,400	2	$300–$ 700	$500
Investment	12	$1,000–$15,000	$2,500	8	$325–$6,000	$750
Planning	3	$1,200–$ 2,500	$2,400	1	$700	$700
Contributions	5	$ 700–$12,000	$1,500	1	$750	$750

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees cannot be determined from the data.

Table 27: Compensation of Chairmen of Board Committees, Nonfinancial Service Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	91	$1,000–$20,000	$3,000	26	$ 100–$2,000	$1,000
Compensation	62	$1,000–$ 9,500	$2,500	22	$ 100–$1,500	$ 975
Executive	30	$1,000–$25,000	$3,000	10	$ 100–$1,000	$ 775
Nominating	35	$1,000–$20,000	$2,500	10	$ 100–$1,500	$1,000
Finance	29	$1,000–$10,000	$3,000	2	$1,000	$1,000
Employee benefits/pension	12	$1,000–$ 5,500	$2,750	3	$ 950–$1,000	$1,000
Public policy	12	$1,000–$ 5,000	$2,750	3	$1,000–$1,500	$1,000
Stock option	3	$2,000–$ 3,000	$2,500	0	—	—
Human resources	7	$1,200–$ 5,000	$4,000	1	$1,250	$1,250
Investment	4	$1,500–$ 5,000	$2,500	1	$1,100	$1,100
Planning	5	$2,000–$ 5,000	$3,000	2	$1,000	$1,000
Contributions	1	$1,000	$1,000	0	—	—

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees cannot be determined from the data.

Table 28: Number of Committees Reported per Company, by Industry Category

Number of Committees	Total Number of Companies Reporting Each	Percent	Manufacturing		Financial		Nonfinancial Service	
			Number of Companies	Percent	Number of Companies	Percent	Number of Companies	Percent
1–2	132	14%	59	14%	26	12%	47	17%
3–4	431	46	212	49	85	38	134	48
5–6	297	32	120	28	87	39	90	32
7–8	69	7	38	9	20	9	11	4
9-10	6	1	1	—	5	2	—	—
Totals	935	100%	430	100%	223	100%	282	100%

Table 29: Number of Committees Reported per Company, by Company Size

	Company Size Categories[1] (Millions of Dollars)					
	Under $100	*$100–$199*	*$200–$499*	*$500–$999*	*$1,000–$2,999*	*$3,000 and over*
			430 Manufacturing Companies			
Number of companies in each category	71	43	68	58	89	101
Range of number of committees reported	1–6	1–7	2–8	2–7	2–8	2–9
Median number of committees reported	3	3	4	4	4	5
Mode[2]	3	3	3,4	4	4	5
			223 Financial Companies			
Number of companies in each category	14	9	29	23	36	112
Range of number of committees reported	1–10	1–7	2–7	1–9	1–9	1–10
Median number of committees reported	4	3	4	5	4	5
Mode[2]	4	1,2,5	3	5	4	5
			282 Nonfinancial Service Companies			
Number of companies in each category	41	19	52	47	68	55
Range of number of committees reported	1–6	1–6	1–8	1–8	1–7	2–8
Median number of committees reported	3	3	4	4	4	5
Mode[2]	2,3	3	4	4	4	5

[1]Measured in sales for manufacturing and nonfinancial services, total assets for financial.
[2]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 30: Number of Meetings per Year of Principal Committees, by Industry Category

	Manufacturing Companies			*Financial Companies*			*Nonfinancial Service Companies*		
Committee	*Range of Meeting Frequencies*	*Median*	*Mode[1]*	*Range of Meeting Frequencies*	*Median*	*Mode[1]*	*Range of Meeting Frequencies*	*Median*	*Mode[1]*
Audit	1–10	3	2	1–15	4	4	1–8	3	2
Compensation	0–10	3	2	0–12	3	4	1–8	3	2
Executive	0–45	2	1	0–60	4	4	0–25	3	1
Nominating	0–7	2	1	0–11	1	1	0–7	1	1
Finance	0–11	4	4	1–24	4	4	1–12	3.5	4
Employee benefits/pension	1–10	2	2	1–9	2	2	1–12	3	1
Public policy	1–8	2	2	1–11	3	1,3,4	1–7	3	2,3
Stock option	0–25	2	1	1–4	1	1	0–10	1	1
Planning	1–7	2.5	1	1–7	3	4	0–24	2	2
Human resources	2–5	3	2	2–12	4	4	2–7	4.5	2
Investment	2–10	4	4	0–24	6	4	1–12	3	4
Contributions	1–3	2	1	1–11	2	1,2	1–4	2	2

[1]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 31: Number of Meetings per Year of Six Principal Committees, by Company Size

Committee	Company Size Categories[1] (Millions of Dollars)					
	Under $100	$100-$199	$200-$499	$500-$999	$1,000-$2,999	$3,000 and over
			Manufacturing Companies			
Audit						
Range of meeting frequencies	1-10	1-7	1-7	1-6	1-8	1-7
Median	2	2	2.5	3	3	3
Compensation						
Range of meeting frequencies	0-6	1-10	1-9	2-6	1-10	1-10
Median	2	2	2	3	3	4
Executive						
Range of meeting frequencies	0-12	0-12	0-12	0-30	0-36	0-45
Median	2	2	2	2	1	1
Nominating						
Range of meeting frequencies	0-3	1-2	0-4	1-4	0-6	0-7
Median	1	1	1	2	2	2
Finance						
Range of meeting frequencies	1-4	2-7	1-6	0-5	0-8	0-11
Median	3	3	2.5	2.5	4	4
Employee benefits/pension						
Range of meeting frequencies	1-3	1-7	1-10	1-5	1-5	1-5
Median	3	2	2.5	2	2	2
			Financial Companies			
Audit						
Range of meeting frequencies	1-11	1-12	1-5	1-5	2-15	2-12
Median	3	3	4	4	4	4
Compensation						
Range of meeting frequencies	1-11	3	0-5	1-5	1-12	1-10
Median	2.5	3	2	2.5	3.5	4
Executive						
Range of meeting frequencies	1-18	1-24	0-50	0-12	1-50	0-60
Median	7.5	4.5	4	2	6.5	4
Nominating						
Range of meeting frequencies	4-11	1-6	1-3	0-4	1-5	1-5
Median	7.5	1	1	1	1	2
Finance						
Range of meeting frequencies	1-24	2	4-12	4-12	3-11	1-24
Median	6	2	5	4	4	4
Employee benefits/pension						
Range of meeting frequencies	—	—	1-4	1-6	1-9	1-9
Median	—	—	2	2	6	2
			Nonfinancial Service Companies			
Audit						
Range of meeting frequencies	1-5	2-6	1-6	1-6	1-8	2-7
Median	2.5	2	3	3	3	3
Compensation						
Range of meeting frequencies	1-7	1-7	1-8	1-5	1-8	1-8
Median	2	3	2	3	3	4
Executive						
Range of meeting frequencies	0-12	0-8	0-17	0-25	0-24	0-24
Median	3.5	3	3	2.5	2	2
Nominating						
Range of meeting frequencies	1-4	1-4	1-4	1-4	0-4	1-7
Median	1	1	1	2	1	2
Finance						
Range of meeting frequencies	2-6	4	1-8	1-7	1-8	2-12
Median	3.5	4	3.5	3	4	3
Employee benefits/pension						
Range of meeting frequencies	1-4	—	1-12	1-5	1-6	1-12
Median	2	—	2	3	3.5	2

[1]Measured in sales for manufacturing and nonfinancial services, total assets for financial firms.

Benefits for Directors

This chapter shows the prevalence and types of benefits awarded to outside directors, other than cash or stock compensation.

Table 32: Principal Insurance and Other Benefits Provided to Outside Directors

Benefit	*Number and Percent of Companies Mentioning*		
	1990 Number of Companies	***1990 Percent***	*1989 Percent*
Insurance:			
Directors and officers liability	743	**78%**	81%
Travel accident	341	**36**	38
Life	156	**16**	16
Accidental death and dismemberment	159	**17**	16
Medical and hospitalization	87	**9**	10
Dental	16	**2**	3
Other Benefits:			
Deferred board compensation	464	**49%**	54%
Matching donations (educational, cultural, philanthropic, other)	312	**33**	31
Retirement or pension plan	296	**31**	27
Free or discounted company products or services	91	**10**	10
Physical examinations	14	**2**	2
Payments to Honorary or Emeritus Directors:			
(Distinct from General Board Retirement Benefits)	64	**7**	N/A
Travel Benefit	14	**2**	N/A

N/A = not available.

Table 33: Number of Benefits for Outside Directors per Company, in 949 Companies[1]

Number of Benefits	*Number of Companies Reporting This Number*	*Percent*
None	125	13%
1	187	20
2	156	16
3	141	15
4	105	11
5	103	11
6	61	6
7-8	60	6
9-10	11	1

[1]Includes directors and officers liability insurance.

Table 34: Number of Benefits for Outside Directors per Company, by Company Size[1]

Company Size by Sales[2] (Millions of Dollars)	*Median Number of Benefits Per Company*					
	436 Manufacturing Companies		*227 Financial Companies*		*286 Nonfinancial Service Companies*	
	Range	*Median*	*Range*	*Median*	*Range*	*Median*
Under $100	0–6	1	0–3	1	0–8	1
100–199	0–6	1	0–3	2	0–4	1
200–499	0–7	2	0–5	2	0–8	2
500–999	0–8	2	0–6	2	0–8	2
1,000–2,999	0–8	3	0–7	2	0–9	3
3,000 and over	0–9	5	0–9	3	1–9	5

[1]Not counting directors and officers liability insurance, or reimbursement of expenses for attending meetings.
[2]Financial companies are measured by total assets.

Table 35: Incidence of Retirement Benefit Plans for Outside Directors in 949 Companies, by Industry Category

Industry Category	Number of Companies With a Plan	Percent
Manufacturing	148	34%
Financial	56	25%
Nonfinancial service	92	32%

Table 36: Incidence of Retirement Benefit Plans for Outside Directors in 949 Companies, by Company Size

	Companies with Plans, in:					
	Manufacturing		Financial		Nonfinancial Service	
Company Size by Sales[1] (Millions of Dollars)	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group
Under $100	4	5%	0	—	3	7%
100-199	4	9	1	11%	1	5
200-499	18	26	3	10	14	26
500-999	18	31	2	9	12	26
1,000-2,999	32	36	7	19	22	32
3,000 and over	72	71	43	38	40	73

[1]Financial companies are measured by total assets.

Stock Compensation for Outside Directors

Significantly more companies are offering stock compensation to outside directors than in the past. For example, a 1989 survey of the top 200 industrial companies revealed that 51 percent provide some form of stock compensation, compared with 43 percent in 1988.[1] In a 1988 survey, 21 percent of 465 publicly owned companies offered stock, compared with 8-10 percent in prior years.[2] According to the present study, 310 (33 percent) of the 949 participating companies are offering stock.

There are several reasons for this phenomenon. Most important, probably, is the growing need for highly qualified directors to deal with the increasingly complex business environment. The competition for such individuals compels companies to find new ways to attract them; stock compensation is one such inducement.

Other reasons for stock compensation include:

1. Link director and shareholder in a common interest—the value of the company's stock.
2. Retain directors by tying stock ownership to continued board service.
3. Allow directors to reduce current tax liability.
4. Enable directors to acquire company stock without having to purchase it on the open market.
5. Apply the pay-for-performance concept to directors' compensation by relating the discharge of their responsibilities to company performance as measured by the value of its stock.

There is at least one possible argument against stock compensation, however. There could be conflict of interest if a director focuses on short-term results that may increase stock value at the expense of long-term objectives.

Three forms of outside director stock compensation are examined here.

Stock options: A right to purchase shares of company stock at a fixed price for a fixed time. The price is usually 100 percent of fair market value. However, a few companies set the option price at less.

Restricted stock: Shares of company stock are awarded subject to restrictions on sale or transfer for a fixed period, often until retirement or certain other termination of service.

Stock payment: A portion of annual compensation is paid in company stock.

Stock Options

Two hundred twelve (22 percent) of the 949 companies participating in the study could grant stock options to outside directors. The prevalence of stock options by major industy category is shown in Table 37. Prevalence by company size is shown in Table 38.

Thirty-two (15 percent) of the companies with stock options could make grants at less than 100 percent of fair market value. The discounts reported ranged from a high of 98 percent to a low of 10 percent of fair market value. The median discount was 20 percent of market value; the mode was 15 percent.

One hundred thirty-five (64 percent) of the 212 companies with stock options made grants in 1989. The median typical grant was $51,250 (number of shares granted multiplied by fair market value on the date of grant). The first quartile was $26,875; the third quartile was $100,000 (see Table 39).

Restricted Stock

Seventy-six (8 percent) of the 949 participating companies could award shares of stock subject to restrictions to outside directors. The prevalence of restricted stock plans by industry group is shown in Table 37; prevalence by company size is shown in Table 38.

Fifty-nine (78 percent) of the 76 companies with restricted stock plans made awards in 1989. The median typical award was $10,000 (number of shares awarded

[1] *Compensation for Outside Directors*, Handy Associates, February 1990.

[2] William M. Mercer, unpublished study, 1988; Press Release, March 21, 1988.

multiplied by market value on the date of award). The first quartile was $5,650; the third quartile was $22,000 (see Table 39).

Stock Payment

Seventy-one (8 percent) of the 949 participating companies could pay a portion of outside directors' annual compensation in company stock. The prevalence of this practice by industry category is shown in Table 37; prevalence by company size is shown in Table 38.

Fifty-eight (82 percent) of the 71 companies reported stock payments in 1989. The median typical payment was $6,000 (number of shares multiplied by market value on the date of payment). The first quartile was $3,667; the third quartile was $10,000 (see Table 39).

Industry and Size Comparisons

Manufacturing is the largest user of stock compensation for outside directors. No doubt, this is because manufacturing has the longest tradition and most experience with these devices (see Table 37).

The larger companies have more restricted stock and stock payment arrangements than the smaller ones. However, stock option practice is the reverse; 36 percent of companies under $100 million have stock option plans; only 10 percent of companies over $10 billion have them (see Table 38). This is probably because stock options enable smaller companies, at no cost to themselves, to give directors the chance for investment appreciation. Growth opportunities are usually greater in smaller companies than in larger ones.

Table 37: Stock Compensation, by Industry Group

Industry Group	Total Companies	With Stock Options		With Restricted Stock		With Stock Payment	
		Number	Percent	Number	Percent	Number	Percent
Manufacturing	436	126	29%	52	12%	49	11%
Financial	227	38	17	9	4	8	4
Nonfinancial Service	286	48	17	15	5	14	5

Table 38: Stock Compensation, by Company Size

Sales/Total Assets* (Millions of Dollars)	Total Companies	With Stock Options		With Restricted Stock		With Stock Payment	
		Number	Percent	Number	Percent	Number	Percent
$25 to 100	133	48	36%	9	7%	6	5%
100 to 500	224	62	28	11	5	16	7
500 to 1,000	128	33	26	8	6	6	5
1,000 to 3,000	193	34	18	16	8	12	6
3,000 to 10,000	156	23	15	16	10	12	8
10,000 and over	115	12	10	16	14	19	17

*Total assets are used for financial companies; net sales are used for all others.

Table 39: Size of Grant/Award/Payment in 1989

	First Quartile	*Median*	*Third Quartile*
Stock option	$26,875	$51,250	$100,000
Restricted stock	5,650	10,000	22,000
Stock payment	3,667	6,000	10,000

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